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SUBJECT: OPIC CEO Reviews Projects Supporting King's Initiatives in Housing, Energy, and Water

Ref: A) Amman 504  
B) Amman 407  
C) 07 Amman 2562

1. (SBU) Summary: OPIC President and CEO Robert Mosbacher discussed ongoing and potential OPIC investments in Jordan worth \$750 million with senior Jordanian officials on the margins of the February 10-11 Middle East and North Africa Trade and Investment Conference held in Amman. In 2007, OPIC helped finance five private equity funds, including one housing fund, and the first Independent Power Producer (IPP) project in Jordan (Ref A). The agency is now interested in financing a mortgage facility, a second IPP, and the Disi water project (Ref C). OPIC's projects target key priority areas for the Government of Jordan (GOJ) in housing, energy and water. End Summary.

GOJ Meetings with OPIC  
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2. (U) To discuss ongoing and future OPIC projects in Jordan, CEO Mosbacher met February 10 jointly with Prime Minister Nader al-Dahabi and Minister of Industry and Trade Amer Hadidi, followed by February 11 meetings with Minister of Planning Suhair al-Ali, Finance Minister Hamad Kasasbeh, Minister of Public Works and Housing Sahl Majali, Central Bank of Jordan (CBJ) Governor Umayya Touqan, and Jordan Investment Board CEO Maen Nsour. He also met February 12 with Chief of the Royal Court Bassem Awadallah.

2008: The Year of Housing  
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3. (SBU) Awadallah highlighted that King Abdullah coined 2008 as "The Year of Housing" in Jordan. Given rising fuel, food, and construction costs, he underscored the importance of providing affordable housing to Jordanian citizens, particularly government employees. He said that the GOJ aimed to construct 200,000 new, affordable units over the next five to ten years, ranging from JD 20,000 (\$28,249) for an 80 square meters unit to JD 30,000 (\$42,373) for a 120 square meters unit. Awadallah clarified that the GOJ definition of "affordable" is no downpayment, and no more than JD 100 (\$141) per month deducted from an average JD 400-450 (\$565-\$636) government salary for mortgage costs.

4. (SBU) To help lower costs, Awadallah and Prime Minister Dahabi separately noted that GOJ has been considering three areas for possible government assistance: 1) providing state-owned land to

developers free-of-cost for community complexes; 2) subsidizing the infrastructure; and/or 3) subsidizing the interest rate. Mosbacher encouraged the GOJ to provide the land and help increase the return to developers so that public funds could go towards the initial downpayment, rather than having to subsidize the project throughout its life. Awadallah said the key now is how the GOJ can afford such a subsidy. Additionally, he expected criticism from some camps that the government, having just eliminated fuel subsidies, was now adding a new subsidy for housing to an already strained budget (Ref B).

#### OPIC Proposing a Mortgage Facility

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15. (SBU) Supporting the King's housing initiative, OPIC already invested \$60 million in 2007 in an International Housing Sector Fund (IHS) to support affordable housing projects in Jordan. OPIC is now exploring with the GOJ a second project to provide mortgage finance for eventual homeowners, specifically in the public sector.

16. (SBU) The OPIC proposal entails a 25-year, \$250 million loan at a fixed rate to a U.S. small business, such as the Iraq Middle Market Development Foundation (IMMDF) or the Middle East Investment Initiative (MEII) in partnership with the Cooperative Housing Foundation (CHF). NOTE: OPIC needs to partner with U.S. entities in order to provide the financing for mortgages. END NOTE. IMMDF or MEII, in turn, would extend loans of \$83.3 million each to three commercial banks in Jordan, potentially the three largest which have expressed interest in the project - Arab Bank, Cairo Amman Bank, and the Housing Bank for Trade and Finance. As OPIC lends in dollars, the three banks, in turn, would enter into a long-term swap with the Central Bank of Jordan (CBJ) to obtain the needed Jordanian Dinars (JD). Each bank would use the funds to make mortgage loans of about 1.5% to 2% above the rate provided by CBJ.

17. (SBU) During a joint meeting with Finance Minister Kasasbeh, Minister of Public Works and Housing Majali, and CBJ Governor Touqan, Mosbacher and VP for Structured Finance Robert Drumheller negotiated some of the remaining issues with the mortgage facility proposal. Touqan noted that CBJ still needs to examine the legal and technical terms of the swap, as most of swaps are currently only done for one to 12 months maximum. All agreed that such short-term swaps would be subject to undesirable exchange rate fluctuations, which would need to be borne by some entity. CBJ also noted that if the dinar were to be unpegged from the dollar and the dinar depreciated, the CBJ might become exposed. NOTE: Despite this caution, CBJ officials have repeatedly asserted that Jordan has no plans to end the dinar-dollar peg. END NOTE. Indicating that the GOJ also aimed for a 3.5 - 4% interest rate for homeowners, the GOJ officials agreed to work with OPIC to persuade the commercial banks to provide the lowest spread possible.

18. (SBU) GOJ officials greatly appreciated the OPIC mortgage facility as a timely proposal given Jordanian priorities, and promised a quick response to finalize it. OPIC hopes that the project will receive its board approval in April, with the goal of announcing the project at the OPIC May 5-7 "Access to Opportunity in the Middle East" International Investment Conference in Jordan.

#### OPIC Support for Regional Energy Initiatives

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19. (SBU) Referring to OPIC's \$70 million investment in the 370 megawatt gas-fired IPP in al-Manakher currently being constructed by AES/Mitsui, Mosbacher expressed to Awadallah and Prime Minister Dahabi OPIC's desire to be part of the GOJ's second IPP project, and hope that AES would again be involved. He raised concerns with GOJ interlocutors, however, that the same GOJ consultant who had provided bad advice on "force majeure" issues during the first IPP was giving the same poor advice for the second IPP. Given that those issues had been resolved during the first project, he noted that there was no reason to deviate from the first IPP formula. Both Awadallah and Dahabi assured that they would look into the matter with the Ministry of Energy and Mineral Resources, and absent any new concerns, would resort back to the original IPP template.

110. (SBU) In a February 11 meeting with Palestinian Minister of

Planning Samir Abdullah, Mosbacher noted that OPIC had experience helping Jordan finance its IPP. Abdullah commented that one of the greatest needs in the Palestinian territories was generating electricity, particularly in the Japanese-proposed "Peace Corridor," and promised to send OPIC statistics on electricity requirements. When asked whether the Palestinian territories had a natural gas source, Abdullah speculated that Qatar might be able to provide natural gas for a gas-fired plant, given the country's large reserves. Abdullah also questioned whether it would be possible to do a joint Jordanian-Palestinian power plant.

#### Disi Water Project

¶11. (SBU) Mosbacher assured Awadallah of OPIC's commitment to work with the Turkish GAMA Enerji company on the Disi Water Conveyance project, but also acknowledged the need for the GOJ to work on water reform. OPIC's \$250 million contribution for Disi would be matched by \$250 million from the International Finance Corporation (IFC) of the World Bank Group. Mosbacher noted that General Electric (GE) had gained a 49% interest in GAMA Enerji, and would bring expertise and discipline to the project. OPIC hopes to get board approval of the project in April, which Prime Minister Dahabi confirmed was also the GOJ timeline.

¶12. (U) OPIC cleared this message, which was also coordinated with Consulate General Jerusalem.

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